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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73449; File No. SR-OCC-2014-19)

October 28, 2014

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change to Permit the Executive Chairman, the President or a Delegate of Such Officer to Approve Requests by a Hedge Clearing Member to Become a Market Loan Clearing Member

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 24, 2014, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

This proposed rule change by OCC would amend OCC’s By-Laws to permit the Executive Chairman, the President or a delegate of such officer to approve requests by a Hedge Clearing Member to become a Market Loan Clearing Member, provided that such delegate is an officer of the rank of Senior Vice President or higher.

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is permit the Executive Chairman, the President or their delegate to approve business expansion requests of Hedge Clearing Members<sup>3</sup> to become Market Loan Clearing Members.<sup>4</sup> Delegates of the Executive Chairman and/or the President must be an officer of the rank of Senior Vice President or higher. Currently, OCC's By-Laws require that requests of a Hedge Clearing Member to become a Market Loan Clearing Member be processed through OCC's business expansion process, which involves review and approval by OCC's Risk Committee ("Committee"). As described below, this type of business expansion request is operational and administrative in nature and OCC does not believe review and approval of this type of business expansion request requires the Committee to assess the risk of such designation. Accordingly, OCC proposes to amend its rules to permit the Executive Chairman, the President, or their delegate to approve business expansion requests of Hedge Clearing Members to become Market Loan Clearing Members without further review by the Committee, provided that any delegate be an officer of the rank of Senior Vice President or higher.

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<sup>3</sup> See OCC By-Laws, Article 1.H(1). See also, OCC By-Laws, Article V, Section 1, Interpretation and Policy .07.

<sup>4</sup> See OCC By-Laws, Article 1.M(4). See also, OCC By-Laws, Article V, Section 1, Interpretation and Policy .07A.

By way of background, the Committee is responsible for reviewing and approving clearing member requests to clear a type or a kind of transaction for which it is not currently approved to clear through OCC (i.e., a business expansion request).<sup>5</sup> The Committee has delegated the Executive Chairman, the Management Vice Chairman, the President, or their delegate with authority to review and approve business expansion requests in response to requests by clearing members for expedited review. Such approval is then subject to the Committee's review and ratification at its next regularly scheduled meeting. If a clearing member does not request expedited review of a business expansion request then such request will be reviewed by the Committee at a regularly scheduled meeting of the Committee, and not by the Executive Chairman, the Management Vice Chairman, the President, or their delegate.

In the case of a Hedge Clearing Member requesting a business expansion in order to be approved as Market Loan Clearing Member, the clearing member will have already been subject a robust risk review by the Committee concerning such clearing member's ability to participate in stock loan activity at OCC. Accordingly, the review of the Market Loan business expansion request by either the Committee and/or the Executive Chairman, the Management Vice Chairman, the President, or their delegate would be primarily operational in nature and involve ensuring that the clearing member: 1) is a U.S. Clearing Member, 2) is a member of a Loan Market,<sup>6</sup> 3) is a participant of the Depository Trust Company and has executed certain agreements with the Depository

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<sup>5</sup> See OCC By-Laws, Article V, Section 1, Interpretation and Policy .03(e).

<sup>6</sup> See OCC By-Laws, Article 1.L(5).

Trust Company, and 4) executes applicable agreements with OCC.<sup>7</sup> The Committee and/or the Executive Chairman, the Management Vice Chairman, the President, or their delegate would also review the current financial risk profile of the clearing member in connection with the business expansion request in order to verify that the clearing member continues to meet OCC's financial requirements. OCC believes that a second risk review by the Committee would be duplicative because the Committee has already analyzed and approved the clearing member's ability to participate in stock loan activity at OCC. In addition, OCC does not believe that review and approval of this type of business expansion request is an appropriate use of the Committee's time given other, more substantive, issues the Committee must consider. Therefore, OCC proposes to amend Article V, Section 1, Interpretation and Policy .03 of its By-Laws to provide the Executive Chairman, the President, or their delegate with the authority to approve the business expansion requests of Hedge Clearing Members to become Market Loan Clearing Members without further review by the Committee, provided that any delegate be an officer of the rank of Senior Vice President or higher. OCC will implement appropriate procedures to ensure that Hedge Clearing Members meet the requirements to become Market Loan Clearing Members and participate in the Market Loan Program.

## 2. Statutory Basis

OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of Act<sup>8</sup> because it is designed to remove impediments to a national system for the prompt and accurate clearance and settlement of securities transactions through

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<sup>7</sup> See, OCC By-Laws, Article V, Section 1, Interpretation and Policy .07A.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

the removal of administrative and ministerial obligations of the Committee. By providing the Executive Chairman, the President or their delegate the authority to review and approve the business expansion requests of Hedge Clearing Members that would like to become Market Loan Clearing Members without further review by the Committee, clearing members and their customers will not be subject to an additional and time-consuming review by the Committee. In addition, the proposed rule change will allow the Committee to focus on substantive risk issues. The proposed rule change is not inconsistent with any rules of OCC, including those proposed to be amended.

(B) Clearing Agency's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose a burden on competition.<sup>9</sup> The proposed rule change will ensure that OCC may provide timely and efficient services to its clearing members because it will remove administrative and ministerial steps associated with certain types of business expansion requests. The proposed rule change will apply to all clearing members and will not substantively change the requirements for Hedge Clearing Member to be approved as Market Loan Clearing Members. The Committee's review and approval of a Market Loan Clearing Member business expansion requests from a Hedge Clearing Member would be duplicative of prior action by the Committee since a Market Loan Clearing Member must first be approved as a Hedge Clearing Member, and the Committee will have already considered substantive issues concerning a clearing member's ability to participate in stock loan activity cleared through OCC when the clearing member was designated as a

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<sup>9</sup> 15 U.S.C. 78q-1(b)(3)(I).

Hedge Clearing Member. Accordingly, OCC does not believe that the proposed rule will impose any burden on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments on the proposed rule change were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2014-19 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange

Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2014-19. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website

(<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at

[http://www.theocc.com/components/docs/legal/rules\\_and\\_bylaws/sr\\_occ\\_14\\_19.pdf](http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_14_19.pdf).

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number

SR-OCC-2014-19 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).